

**Weighted Average Manufacturing Costs  
for Butter, Nonfat Powder, Skim Whey Powder and Cheddar Cheese  
1989 - 2005**

Amended January 2006

Costs include processing labor, non-labor processing, packaging, other ingredients (for butter and Cheddar cheese only), general and administrative and return on investments.

<u>Date of Release</u>		<u>Butter</u>		<u>Nonfat Powder</u>		<u>Cheddar Cheese</u> <sup>1</sup>		<u>Skim Whey Powder</u>	
<u>Year</u>	<u>Month</u>	<u>Cost per Pound</u>	<u>Number of Plants</u>	<u>Cost per Pound</u>	<u>Number of Plants</u>	<u>Cost per Pound</u>	<u>Number of Plants</u>	<u>Cost per Pound</u>	<u>Number of Plants</u>
1989	May	\$0.0879	11	\$0.1370	11	\$0.2251	9		
1992	July	\$0.0969	12	\$0.1443	12	\$0.2010	9		
1995	November	\$0.0928	9	\$0.1328	9	\$0.1981	8		
1996	December	\$0.0970	9	\$0.1333	9	\$0.1898	8		
1997	July	\$0.0958	8	\$0.1327	9	\$0.1840	9		
1999	February	\$0.0930	8	\$0.1277	9	\$0.1759	10		
2000	February	\$0.0957	8	\$0.1356	10	\$0.1693	9		
2001	October <sup>2</sup>	\$0.1001	8	\$0.1590	11	\$0.1802	9		
2002	November <sup>3</sup>	\$0.1208	7	\$0.1619	11	\$0.1775	9		
2002	December <sup>4</sup>	\$0.1211	7	\$0.1512	11	\$0.1746	9		
2003	November <sup>5</sup>	\$0.1235	7	\$0.1464	10	\$0.1632	9		
2004	November <sup>6</sup>	\$0.1299	7	\$0.1560	10	\$0.1706	9	\$0.2675	4
2005	November <sup>7</sup>	\$0.1368	8	\$0.1543	10	\$0.1769	7	\$0.2673	3

<sup>1</sup> For the 1996 Cheddar cheese cost study and subsequent cost studies, we have included costs associated with Cheddar cheese plants producing 500 pound barrels and 640 pound blocks. However, costs for packaging labor and packaging expenses were replaced with the average of those costs associated with 40 pound block plants.

<sup>2</sup> Includes the cost studies completed for periods between January 1998 and December 1999 and adjusted for utility costs. The utility cost adjustments were made using each plant's invoices for energy costs for August 2001.

<sup>3</sup> Includes the unadjusted cost studies for periods between July 2000 and December 2001.

<sup>4</sup> Includes the cost studies for periods between July 2000 and December 2001 and adjusted for August 2002 utility invoices as well as 2002 data updating wages, payroll taxes and fringe benefits for all plants.

<sup>5</sup> Includes the unadjusted cost studies for periods between January and December 2002.

<sup>6</sup> Includes the unadjusted cost studies for periods between January and December 2003.

<sup>7</sup> Includes the unadjusted cost studies for periods between January and December 2004.

### Butter Processing Costs

Amended January 2006

1. Manufacturing cost data were collected and summarized from eight California butter plants. The eight plants processed 382.9 million pounds of butter during the study period, representing 99.9% of the butter processed in California.
2. The processing costs summarized in this study were incurred during a 12-month period, starting in January 2004 and concluding in December 2004.
3. The "Processing Non-Labor" category includes costs such as utilities, repairs and maintenance, supplies, depreciation and rent.
4. The volume total includes both bulk butter and cut butter, but the costs reflect only costs for bulk butter (25 kg and 68 lb. blocks).
5. To obtain the weighted average, individual plant costs were weighted by their butter processing volume relative to the total volume of butter processed by all plants involved in the cost study.
6. The current manufacturing cost allowance for butter is \$0.156 per pound. About 75% of the butter was processed at a cost less than the manufacturing cost allowance.

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## Amended January 2006

2. The processing costs summarized in this study were incurred during a 12-month period, starting in January 2004 and concluding in December 2004.

4. The volume total includes all grades of nonfat powder packaged in any container size, but the costs reflect only costs for 25 kg and 50 lb. bags of nonfat powder.

6. The current manufacturing cost allowance for nonfat powder is \$0.152 per pound. About 63% of the nonfat powder was processed at a

<u>Cost Groups</u>	<u>Number of Plants</u>	<u>Processing Labor</u>	<u>Processing Non-Labor</u>	<u>Package</u>	<u>General &amp; Administrative</u>	<u>Return on Investment</u>	<u>Total Cost</u>	<u>Volume in Group</u>	<u>Percent in Group</u>
<i>dollars per pound of powder</i>									
Low Cost	3	\$0.0291	\$0.0784	\$0.0141	\$0.0089	\$0.0068	\$0.1373	468,014,288	62.8%
Medium Cost	4	\$0.0360	\$0.0986	\$0.0152	\$0.0136	\$0.0099	\$0.1733	238,532,017	32.0%
High Cost	3	\$0.0840	\$0.1228	\$0.0115	\$0.0121	\$0.0108	\$0.2412	38,852,610	5.2%
<u>Summary Statistics</u>									
<b>Weighted Average</b>		<b>\$0.0342</b>	<b>\$0.0872</b>	<b>\$0.0143</b>	<b>\$0.0106</b>	<b>\$0.0080</b>	<b>\$0.1543</b>		
Range	{	Minimum	\$0.0283	\$0.0750	\$0.0096	\$0.0075	\$0.0032		
		Maximum	\$0.1037	\$0.1955	\$0.0158	\$0.0351	\$0.0157		
Total								745,398,915	100%

Amended January 2006

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- | <u>Cost Groups</u>                 | <u>Number of Plants</u> | <u>Processing Labor</u> | <u>Processing Non-Labor</u> | <u>Package</u>  | <u>Other Ingredient</u> | <u>General &amp; Administrative</u> | <u>Return on Investment</u> | <u>Total Cost</u> | <u>Volume in Group</u> | <u>Percent in Group</u> |
|------------------------------------|-------------------------|-------------------------|-----------------------------|-----------------|-------------------------|-------------------------------------|-----------------------------|-------------------|------------------------|-------------------------|
| <i>dollars per pound of cheese</i> |                         |                         |                             |                 |                         |                                     |                             |                   |                        |                         |
| Low Cost                           | 3                       | \$0.0397                | \$0.0759                    | \$0.0180        | \$0.0089                | \$0.0191                            | \$0.0094                    | \$0.1710          | 628,560,303            | 76.9%                   |
| High Cost                          | 4                       | \$0.0709                | \$0.0584                    | \$0.0206        | \$0.0179                | \$0.0243                            | \$0.0042                    | \$0.1963          | 188,508,025            | 23.1%                   |
| <u>Summary Statistics</u>          |                         |                         |                             |                 |                         |                                     |                             |                   |                        |                         |
| <b>Weighted Average</b>            |                         | <b>\$0.0469</b>         | <b>\$0.0719</b>             | <b>\$0.0186</b> | <b>\$0.0110</b>         | <b>\$0.0203</b>                     | <b>\$0.0082</b>             | <b>\$0.1769</b>   |                        |                         |
| Range                              | { Minimum<br>Maximum    | \$0.0340                | \$0.0518                    | \$0.0146        | \$0.0066                | \$0.0077                            | \$0.0024                    |                   |                        |                         |
|                                    |                         | \$0.0852                | \$0.0795                    | \$0.0281        | \$0.0289                | \$0.0299                            | \$0.0128                    |                   |                        |                         |
| Total                              |                         |                         |                             |                 |                         |                                     |                             |                   | 817,068,328            | 100%                    |

## Skim Whey Powder Processing Costs

*Amended January 2006*

1. Manufacturing cost data was collected and summarized from three California skim whey powder plants. The three plants processed 93.2 million pounds of skim whey powder during the study period, representing 79% of the skim whey powder processed in California in 2004.
2. The processing costs summarized in this study were incurred during a 14-month period, starting in November 2003 and concluding in December 2004.
3. The "Processing Non-Labor" category includes costs such as utilities, repairs and maintenance, supplies, depreciation and rent.
4. The volume total includes skim whey powder packaged in container sizes of 25 kg and 50 lb. bags.
5. To obtain the weighted average, individual plant costs were weighted by their skim whey powder processing volume relative to the total volume of skim whey powder processed by all plants involved in the cost study.
6. The current manufacturing cost allowance for skim whey powder is \$0.20 per pound. All three plants processed skim whey powder at costs higher than the manufacturing cost allowance.

<u>Cost Groups</u>	<u>Number of Plants</u>	<u>Processing Labor</u>	<u>Processing Non-Labor</u>	<u>Package</u>	<u>General &amp; Administrative</u>	<u>Return on Investment</u>	<u>Total Cost</u>	<u>Volume in Group</u>
		<hr/> dollars per pound of powder <hr/>						
<b>Weighted Average</b>	3	\$0.0635	\$0.1488	\$0.0126	\$0.0026	\$0.0398	\$0.2673	93,271,893

### Summary Statistics

Range	{ Minimum	\$0.0487	\$0.1364	\$0.0091	\$0.0013	\$0.0314
	{ Maximum	\$0.0772	\$0.1921	\$0.0199	\$0.0049	\$0.0514